

Message Text

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12
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E.O. LL652: N/A
TAGS: EFIN UK
SUBJECT: "GUARDIAN" REPORT ON GERMAN "BAIL OUT" OF
BRITAIN

BEGIN UNCLASSIFIED

1. THE OCTOBER 15 "GUARDN" CARRIES ON ITS FRONT PAGE A REPORT BY PETER JENKINS ON THE CALLAGHAN-SCHMIDT CONVERSATION OF OCTOBER 10. THE ARTICLE IS CONFUSED BUT POSSIBLY SIGNIFICANT, ESPECIALLY IN VIEW OF THE LACK OF OTHER REPORTS ON THE CONVERSATION.

2. ACCORDING TO JENKINS, SCHMIDT ENDORSED THE BRITISH GOVERNMENT'S ECONOMIC STRATEGY AND INDICATED HIS WILLINGNESS TO SUPPORT IT WITH GERMAN MONEY. HE HAS BECOME CONVINCED THAT SMALL SCALE ASSISTANCE TO THE UK DOES NOT WORK AND THAT SOMETHING LARGER, TO BE APPLIED OVER A LONGER PERIOD OF TIME, IS NEEDED. THE IDEA IS TO BRIDGE THE GAP BETWEEN THE PRESENT CRISIS AND THE ARRIVAL OF THE NORTH SEA OIL. SCHMIDT WOULD PREFER THAT THIS ARRANGEMENT BE MULTI-LATERAL; GERMANY'S EXPERIENCE WITH BI-LATERAL AID TO ITALY HAS NOT BEEN GOOD.

3. AFTER THIS OPENING SUMMARY, JENKINS PROCEEDS TO
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STATE SPECIFICS OF THE GERMAN PROPOSAL. FIRST, FULL

SUPPORT FOR THE BRITISH IMF APPLICATION AND FOR GRANTING IT ON CONDITIONS BROADLY CONSISTENT WITH THE GOVERNMENT'S PRESENT ECONOMIC STRATEGY. SECOND, ABANDONMENT OF PRESSURE FOR DEVALUATION OF THE GREEN POUND. THIRD, DOING SOMETHING ABOUT THE COSTS OF THE BRITISH ARMY ON THE RHINE.

4. THESE SPECIFIC POINTS (WHICH SEEM PETTY COMPARED TO THE OVERARCHING PLAN SUGGESTED IN JENKINS' OPENING PARAGRAPHS) "WOULD BE SUBSUMED IN SOME EMBRACING PLAN FOR BRITISH RECOVERY." WHILE THIS PLAN COULD BE LAUNCHED THROUGH THE EUROPEAN COMMUNITY, THE GERMANS WOULD PREFER TO SEE THE AMERICANS AND THE JAPANESE INVOLVED.

5. BUT JENKINS NOTES THAT SCHMIDT'S STATEMENTS WERE NOT ONLY TENTATIVE, BUT MADE ON HIS OWN. "THESE MATTERS HAVE NOT BEEN PROCESSED THROUGH DEPARTMENTS. LEAST OF ALL COME UP TO CABINET IN BONN." END UNCLASSIFIED

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6. JENKINS HAS TOLD US THAT HE OBTAINED HIS INFORMATION ON THE CONVERSATION FROM GERMAN SOURCES. HE SAYS THAT NO ACCOUNT OF THE CONVERSATION IS AVAILABLE FROM BRITAIN SOURCES.
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SPIERS

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NNN

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